



Washington State Public Works Board

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March 16, 2016

Senator Andy Hill, Chair, Senate Ways & Means (SWM)
Senator John Braun, Vice Chair, SWM
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Senator Jim Honeyford, Vice Chair, SWM, Capital
Budget Chair
Senator Jim Hargrove, Ranking SWM
Senator Karen Keiser, Assistant Ranking, Capital, SWM
Senator Kevin Ranker, Ranking Minority Operating,
SWM

Representative Hans Dunshee, Chair, Appropriations
Representative Bruce Chandler, Ranking Minority,
Appropriations
Representative Steve Tharinger, Chair, Capital
Budget
Representative Richard DeBolt, Ranking Minority,
Capital

Dear Senators and Representatives,

The Public Works Board respectfully requests your re-consideration regarding the proposed redirection of Public Works Assistance Account funds outlined in the Senate Proposed Supplemental Operating budget.

Washington State is recovering from the Great Recession. However, the majority of our local governments are still fighting to regain lost ground. As the State struggles to meet basic constitutional requirements, local governments also struggle to meet the basic service needs of their citizenry. Each community has the same driver: create a safe, economically viable, and welcoming environment. Aging infrastructure: water and sewer systems, roads, bridges, telecom, and public buildings, many of which were initially constructed with federal funds, is weighing down the ability of these communities to maintain these basic services.

The problems that our communities face are not happening in succession; they are happening simultaneously. And, they are happening at the same time as an epidemic of social ills (homelessness, drug addition, etc.). Our communities are facing an untenable decision: limited funds and funding options to help ameliorate any one of these problems.

The Public Works Assistance Account (PWAA) has been an easily accessible tool for local governments to finance their infrastructure needs by providing affordable loans that allow each jurisdiction to invest limited financial resources strategically. Jurisdictions have a fiduciary responsibility to their citizenry. Unfortunately, failing infrastructure cannot wait. All jurisdictions must meet the same quality of service standards set by state and federal regulators. This means that a community the size of Napavine, population 1,766, must provide the same level of water and sewer treatment as Seattle, population 662,400. However, Napavine does not have Seattle's economy of scale, thus resulting in more expensive systems to operate despite being significantly smaller.

The PWAA has provided some relief to the cost impacts of these smaller community projects. Entirely removing the PWAA as a funding option for cash strapped jurisdictions forces them to seek financing through other, more expensive routes, compete for ever shrinking grant funds, or to avoid replacing a failing system until a catastrophic event occurs.

As we have seen in Flint Michigan, failing to maintain existing infrastructure has real public health and safety issues. Washington is not impervious to this type of real life crises. Local governments still require assistance from the state to meet their needs.

We want to be able to help cities in our state like Walla Walla which has over 60 miles of lead-lined drinking water pipe that they desperately want to replace but can't afford due to having just invested in a new treatment system to remove cryptosporidium from the city's drinking water.

Some jurisdictions will save a significant proportion of their project cost by accessing PWAA funding rather than accessing the bond market. This savings doesn't come from the difference in interest rates. This savings arises from both the higher costs of accessing the bond market and absorbing the debt issuance costs. These costs are borne regardless of whether the bond is for \$1 million or for \$200 million.

A major financial management tool that is available to PWAA clients that is not available to bond clients is the rate of repayment. Bond clients are responsible for the full annual debt service payments immediately upon the bond sale. Whereas, PWAA clients' annual payments are due only upon what has been drawn to date.

We respectfully request that you reconsider the redirection of PWAA funds. The PWAA has the capability of providing vital resources to enable local governments to cost effectively meet their infrastructure needs if sustained into the future. The proposal to use the PWAA funds for non-loan/non-grant purposes will result in two things: the fund will continue the trend of crossing the biennial line with a negative balance and it will diminish significantly each year until the account is exhausted.

Regards,



Stan Finkelstein, Board Chair
Public Works Board

cc: Brian Bonlender, Director of Commerce
Public Works Board Members